

NEGOTIATIONS AGREEMENT BETWEEN THE CITY OF REDLANDS
AND MOUNTAINVIEW POWER COMPANY, LLC, A WHOLLY OWNED SUBSIDIARY
OF SOUTHERN CALIFORNIA EDISON COMPANY

Whereas, Mountainview Power Company, LLC, a wholly owned subsidiary of Southern California Edison (MVL), wishes to dispose of wastewater treatment plant filter cake at the City of Redlands (City) California Street Landfill (CSL);

Whereas, the Mountainview Power Plant utilizes water from on-site groundwater wells and City Recycled Water for cooling purposes;

Whereas, the City Recycled Water and the on-site groundwater used in the cooling towers at the power plant contain perchlorate and other waste byproducts;

Whereas, the perchlorate will be concentrated in the wastewater treatment filter cake for disposal;

Whereas, acceptance of the filter cake at the CSL will require an agreement between the City and MVL to address issues related to the added cost to City of accepting perchlorate contaminated solids;

Whereas, the pumping of groundwater on site for cooling water at MVL removes perchlorate from a groundwater plume that is spreading from locations upgradient from and unrelated to the MVL power plant;

Whereas, the groundwater underneath the CSL is already impacted by the perchlorate plume;

Whereas, a perchlorate release to groundwater at CSL would impact groundwater that is already polluted by perchlorate;

Whereas, shipping perchlorate contaminated filter cake to a distant landfill poses increased risks to MVL and the community at large;

Whereas, the Regional Water Quality Control Board Santa Ana Region has expressed a preference for disposing of the filter cake at the CSL;

Whereas, the distance to CSL from the MVL power plant makes disposal of filter cake at CSL more economical than any other location;

Whereas, the City has a responsibility to manage waste that is generated within its jurisdictional boundaries;

Whereas, accepting the filter cake will require construction of a double composite liner, in future disposal cells, to provide for appropriate groundwater protection;

Whereas, the City will incur additional cost related to construction, engineering, design, and operations of CSL due to the disposal of the filter cake;

Whereas, the acceptance of perchlorate contaminated solids may pose long-term liability under the Comprehensive Environmental Response Compensation and liability Act (CERCLA or Superfund) due to potential groundwater contamination; and

Whereas, accepting the power plant filter cake at CSL is in the best public interest as the economically and environmentally superior alternative to other disposal options;

Now, therefore, in consideration of the mutual promises contained here, the City of Redlands and Mountainview Power Company, agree as follows:

Agreement

Section 1. The City and MVL agree to meet and attempt to negotiate a mutually satisfactory agreement to address cost responsibility related to the cost of constructing a double composite lined landfill for the acceptance of MVL power plant filter cake and to cover incrementally higher costs of operations related to activities such as monitoring, engineering and design of the lined area.

Section 2. The City and MVL agree that any agreement pertaining to indemnification from potential liability related to a perchlorate release to groundwater.

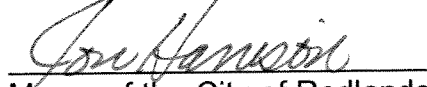
Section 3. The City and MVL shall work together to provide the City with relief from AB 939 diversion impacts resulting from the disposal of power plant filter cake, which may otherwise affect the City=s efforts to achieve compliance with AB 939 waste diversion mandates.

Section 4. The representatives of the City and MVL who have executed this Agreement represent that they are an officer or agent of their respective employers, and are vested with the authority to execute this Agreement on behalf of their employers, the City of Redlands and MVL, respectively.

Section 5. The City and MVL agree that nothing in this Agreement obligates either party to enter into any subsequent agreement regarding the subject matter hereof, and that neither party will incur any liability to the other party for its failure or refusal.

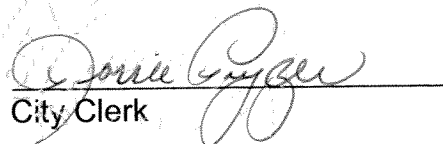

Nader N. Mansour
Vice President
Mountainview Power Company

Dated: 1/30/2006


Mayor of the City of Redlands

Dated: February 7, 2006

Attest:


City Clerk